Use of Trademarks in a Plant-Licensing Program

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ABSTRACT

The principal forms of IP rights protection for plant varieties are plant patents, plant variety protection patents (PVPs), and utility patents. However, trademarks can also provide long-lasting and significant protection for plant varieties. One advantage that trademarks have over the statutory forms of IP protection for plants (plant patents, PVPs, utility patents) is that trademarks can be protected indefinitely, as long as the product is marketed and the trademark enforced. The most important agreements dealing with international trademark registration are the Madrid system and the Madrid Protocol (of which the United States is a signatory). Licensing of a trademark can either stand alone or be combined with another form of IP rights protection, such as with a hybrid PVP/trademark license.

1. INTRODUCTION

The top ten global "brands"[1] in 2006: Coca-Cola®, Microsoft®, IBM®, GE®, Intel®, Nokia®, Toyota®, Disney®, McDonalds®, and Mercedes-Benz®—with a collective estimated brand value of a staggering US$396 billion[2]—each rely on a successful branding strategy, an important part of which is a recognizable trademark. Successful product branding can create phenomenal intangible value for companies. Intangible assets today have been estimated to account for at least 80% of the market value of publicly traded companies.[3]

The fresh-fruit-and-vegetable business sector, however, has not fully taken advantage of the value that can be created by a successful branding and trademark strategy. But that is changing, as multinational companies develop brand names (which are usually trademarked names, such as Dole®, Del Monte®, and Chiquita®) and others commercialize varieties under recognizable trademarks (for example, plums using the Sun World Black Diamond® trademark and green and gold kiwifruit using the ZESPRI® trademark).

2. WHAT IS A TRADEMARK?

A trademark is any marking, sign, or designation that, during the course of trade, indicates a connection between certain goods and services and the trademark owner. Trademarks identify goods and services, distinguish them from similar goods and services, and indicate their source or origin, thereby guiding and influencing consumers' decisions. A trademark guarantees that a certain good or service is of known and reliable quality, for example, a bottle labeled with the Coca-Cola® logo indicates to the consumer that the bottle is filled with a specific cola drink. In many jurisdictions, trademarks can be registered at the local patent and trademark office. A registered trademark (or a very similar version of it) cannot be used by anyone else in association with goods or services, and the owner of the mark can bring proceedings for trademark infringement against anyone else who attempts to use the mark. However, ownership of a registered trademark does not prevent

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others from making or selling the same or a similar product under a clearly different mark.

Trademarks can come in a variety of different forms. Registrable trademarks often include distinctive, sometimes nonsense, words (for example, *Kodak*). Registered trademarks can take other forms as well: numbers, number and word combinations, slogans, designs, images, colors, sounds, pictures, labels, smells, and three-dimensional configurations (such as the triangular form of Toblerone® chocolates).

In order to be protectable, trademarks must be reasonably distinctive. They are classified according to their distinctiveness, from most protectable to nonprotectable:

1. *Fanciful marks* are the most distinctive and protectable. They are unique nonsense words. Examples include *Clorox*, *Exxon*, and *Pepsi*.
2. *Arbitrary marks* are real (not nonsense) words, but they have no readily apprehensible connection with the goods or services with which they are associated. Examples include *Apple* (computers), *Apple* (records), *Domino's* (pizza), and *Sonic* (restaurants).
3. *Suggestive marks* suggest, but do not explicitly describe, a characteristic of the goods or services. For example, the name *Holiday Inn and Suites* suggests that it is a "holiday" to stay in this guest residence.
4. *Descriptive marks* refer to the purpose, function, quality, size, geographical origin, and so on, of a good or service. In order to qualify as *distinctive*, and therefore protectable, consumers must be able to associate such marks with a particular good or service. For example, *Fried Chicken* as a descriptive mark would not qualify since it merely qualifies a chicken. *Kentucky Fried Chicken*, however, means more to consumers than simply "chicken, fried in a style that is popular in Kentucky": it indicates a place where customers can obtain a meal of known and predictable quality.
5. *Generic terms*, such as *soap*, *tomato*, or *car* cannot be registered as trademarks. Interestingly, and unfortunately for trademark owners, some trademarks have transformed from fanciful to generic over the years; examples include now-common words such as *linoleum*, *aspirin*, *kerosene*, and *escalator*. (Also see the discussion of genericide in the next section.)

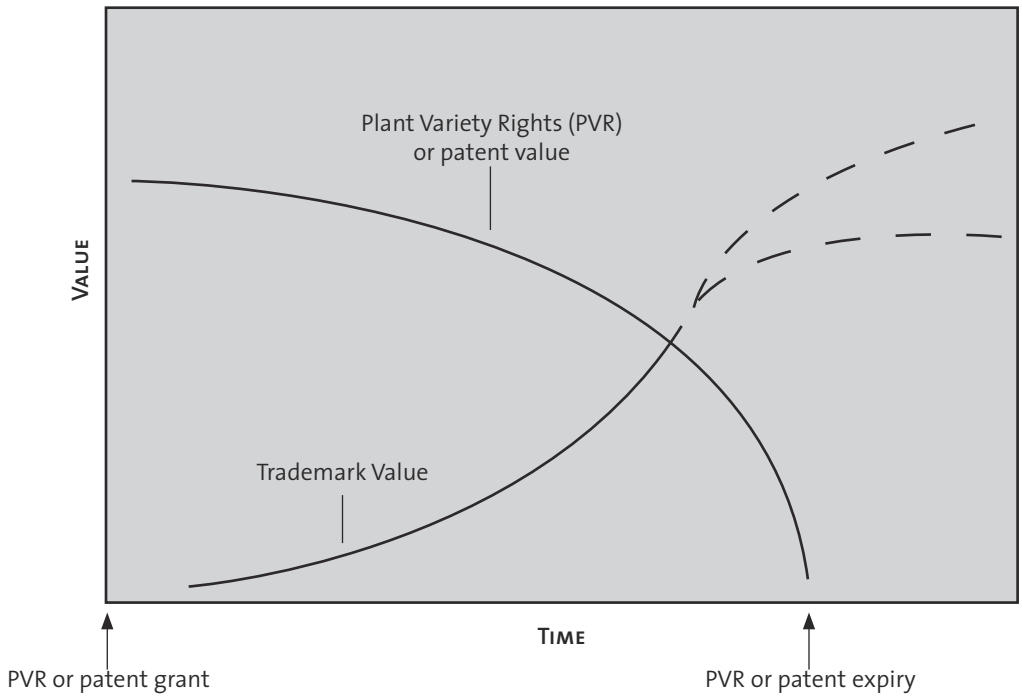
3. BENEFITS, RISKS, AND OBLIGATIONS OF A TRADEMARK

A trademark has no inherent value. It only gains value when the good or service with which it is associated is accepted by consumers, who then come to rely on the brand/trademark as an indicator of consistent quality. In contrast, plant patents, plant variety protection, and utility patents on plants (together called plant variety rights or PVRs) have an immediate tradeable value that may or may not decline from the time of the patent grant to the time of the patent expiration (Figure 1).

A significant advantage of a trademark over a PVR is that, unlike other forms of IP rights protection such as patents and copyrights, trademarks can be owned indefinitely, so long as they are used appropriately, are enforced, and their registration is kept current (through renewals). Trademarks are recognizable, and therefore valuable, even after the term of a patent or PVR has expired. The pharmaceutical industry owns a number of powerful trademarks: Schering-Plough Corporation, maker of Claritin®, has managed to retain a significant market share of this antihistamine even after the patent expired and generic equivalents entered the market.

Registering a trademark is usually an inexpensive and straightforward process. Some money must be put into creating a distinctive, and therefore protectable, mark. When designing a mark for use in global commerce, it is important to research the trademark registries of countries where the product is to be sold in order to ensure that the mark, or something very similar to it, has not already been registered by another party. It is not a good idea to use different trademarks in different countries or to put the same trademark on different goods, as these practices can confuse consumers and will then reduce the mark's value. Trademark owners should be aware that a nonsense word in one language might be a real word (and perhaps

Figure 1: Relative Value of Trademarks Compared to the Value of Patents and Plant Variety Rights Over Time



Source: Diagram kindly supplied by A MacKenzie, HortResearch.

one with a negative connotation) in another language; fanciful marks that essentially mean nothing in any language (such as *Exxon*) are usually safe.

Trademarks are a "use it or lose it" commodity. First, a trademark only has value if the good or service that it represents is of consistent quality and is continuously available; the marketplace can have a very short memory. Furthermore, and more seriously, a trademark can be invalidated if it is not used in a country for a continuous period, usually three years in most countries.

It costs considerably more to promote and develop consumer recognition of a trademark than it does to register the mark. The trademark owner will need to identify the target audience and develop promotional material tailored to that audience, a process that can become quite complex if globally marketed products are involved. It may be worthwhile to delegate these tasks to an advertising company.

The trademark owner must invest not only in establishing and maintaining a brand presence in the marketplace but also in protecting the trademark. The trademark owner will need to appoint IP managers to monitor the filing and licensing of trademarks, the policing of trademark use, and the prosecution of those who use registered trademarks illegally.

4. USING TRADEMARKS CORRECTLY

A trademark will become generic if, because of uncontrolled use, it no longer indicates that goods or services come from a particular source. Once a trademark is generic, then it is free for all to use. Such "genericide" has been the fate of many famous trademarks such as *cellophane* and

thermos—words that are now part of the common lexicon. Though the trademarks *Xerox*® and *Kleenex*® are still protected, it has become common practice to substitute the phrase "*Xerox machine*" for a photocopier or *Kleenex* for a tissue, and the argument has been made that the trademark names have already become generic.

Trademark owners must try to ensure that marks are used correctly, especially within their own organizations. Trademarks are adjectives that qualify nouns, and should not be used as proper nouns or as verbs. For example, it is improper usage to say, "I'm going to xerox a couple of pages," even if one is the trademark owner.

Finally, trademarks should always be used with the ® or ™ symbol. In the U.S., the ® symbol indicates federal registration of a trademark (which has significant legal connotation); the ™ symbol indicates a common law mark (which has far less legal significance). The ™ symbol is also used for a federally registered trademark between the filing and registration period. Trademarks should always be used to modify a generic noun, for example, *Del Monte Gold* ™ *pineapple* or *Jazz*™ *apple*. In order to avoid violating trademark laws, breeders and growers must refer to a plant variety using the variety name and not the trademark. This can be a challenge, especially if the trademark is particularly catchy (which it should probably be in order to be successful!) or the variety name is alphanumeric.

5. TRADEMARKS IN AGRICULTURE

Trademarks have helped create value for agricultural products. One example is the Roundup Ready® trademark, which designates crops developed by Monsanto that contain transgenes that encode tolerance to the herbicide glyphosate.

Trademarks have been used to emphasize distinctive and attractive attributes of plant varieties (for example, *Pink Lady*® [apples], *Superior Seedless*®[grapes]) and *Sun-Maid*®[raisins])[4] is a branding success story: its trademark has made an otherwise pedestrian agricultural product so attractive to consumers that the owners of the mark license it for use in association with products that contain their raisins.

It is important to note that plant variety names are not the same as plant variety trademarks. Traditional plant variety names range from descriptive to fanciful, and are often chosen by the plant breeder. The only restriction on a plant variety name is that it cannot have been used before for a plant of the same species. Choosing a trademark, however, requires considerably more care. First, the variety name cannot be trademarked: the variety name is considered "generic" because it is the name for all plants of a particular variety, whereas a trademark serves to identify the source (the grower, marketer, and so on) of a particular plant. Second, the trademark office often rejects geographic names, especially if a particular geographic name is associated with the crop in question (for example, "Valencia" for citrus, "Turkey" for figs). Colors associated with the particular crop are usually not acceptable as trademarks, either. Finally, it can be difficult to register a trademark if it is already being used to refer to a related good or service, even if the good or service is different.

In order to illustrate some of the complications that may arise when attempting to trademark a product, let us take the example of the Shasta Gold® seedless mandarin, owned by the University of California. The U.S. trademark examiner objected to the use of a geographical name in the trademark, but the university argued that *Shasta* was not a region in California that is associated with citrus. The examiner objected to the use of a color in the trademark, but the university argued that *Gold* referred to the fruit's quality, not its color. Having prevailed at the U.S. Patent and Trademark Office, the university was then challenged by the Shasta Beverage Company, which claimed that the existence of the Shasta Gold® mandarin would impact sales of its own Shasta® fruit-flavored sodas. Ultimately, the parties reached a compromise out of court. Had the university simply chosen to call the variety "Shasta Gold" (without trademarking it) in the relevant U.S. Plant Patent, there would have been no conflict.

Using a trademark to cover a whole category of produce is a particularly powerful strategy. Sun World[5] uses its *Amber Crest*® trademark for various early peach varieties. These varieties are

all similar in appearance and taste, but ripen at different times. Individual varieties are protected with distinct names (for example, *Supechsix*, *Supechnine*), but the consumer knows them only by their trademark name, *AmberCrest*®. This strategy has allowed Sun World to develop new varieties of early peaches while still maintaining a consistent brand image. Another strategy is to develop secondary marks or qualifying names for individual products within a brand. An example of this is the trademarked Zespri® kiwifruit from New Zealand: the yellow-fleshed kiwi is called *Zespri® GOLD* and the original fruit is called *Zespri® GREEN* (Figure 2). Because the qualifying names are common words, they cannot be trademarked.

Trademarks, if used judiciously, can add value to a single variety. The Pink Lady® apple is a good example. Whereas few consumers would recognize the variety name *Cripp's Pink*, most are familiar with the trademarked name *Pink Lady*®. Trademarks gain their value from continuous market presence and acceptance, so it may not make financial sense to create a trademark for a seasonal variety. Pink Lady® apples, however, are available year-round, so this trademark has been very successful.

Recent changes in the structure of the retail market will affect the use of trademarks in the fresh produce industry. In developed countries, the supermarket business is becoming increasingly consolidated, and these supermarkets are often expanding beyond their countries of origin. In order to keep up with the competition, supermarket chains are seeking ways to distinguish themselves from their competitors, and focusing much of the effort on the stores' produce sections

Large chains have the necessary marketing power to support trademarked produce, but the only produce varieties that are likely to provide a return on such an investment are those with unique consumer appeal: they might have an unusual or improved shape, color, texture, flavor, or other quality (such as seedlessness), or an atypical or extended market availability (such as with an early or late variety).

The growing power of supermarket chains can also work to the disadvantage of the variety's owner. The retailer may choose to reject an owner's mark in favor of its own. This is the situation in Australia, where two supermarket chains control about 80% of the fresh produce retail market. Both chains are developing their own overarching produce brands, so they are unwilling to

Figure 2: Zespri® Gold Kiwi



decrease the potential value of their trademarks by stocking and marketing products that bear other trademarks.

Because plant variety rights are not available (or particularly enforceable) in many countries, trademark protection is often stronger than, and can serve as a proxy for, variety rights protection. For example, the University of California was able to register the name *Camarosa* for a strawberry variety in certain countries where PVR was not available, and then licensed production of the Camarosa® strawberry. The central part of the license was the use of the trademark. Although third parties who were not licensed to commercialize the Camarosa strawberry could still grow them in these countries where PVR was not available, they could not sell them under the protected name of Camarosa. However, as PVR protection compliant with the International Union for the Protection of New Varieties of Plants (UPOV) becomes more common in developing countries, and if multistate protection (as exemplified by the Community Plant Variety Office [CVPO] of the European Union [E.U.]) becomes available in other regions, using trademarks as a proxy for PVR may become obsolete.

6. INTERNATIONAL TRADEMARK PROTECTION

Under the Madrid system,[6] which is administered by the World Intellectual Property Organization (WIPO), a trademark can be protected in several countries (members of the Madrid Union) if the owner files one application directly with his own national or regional trademark office. In contrast, PVR procedures are much more complicated: the variety owner must file for protection in every country (with the exception of PVRs filed in E.U. countries, which are protected throughout the European Union). The Madrid system can reduce the amount of money a trademark owner must spend on both outside lawyers' fees and filing fees.[7] The United States is not a member of the Madrid Union but is a member of the similar Madrid Protocol, adopted in 2002 and implemented in late 2003.[8]

The Madrid system has helped, in some circumstances, to curb the problem of trademark piracy and extortion, provided that the trademark owner makes use of the system and possibility to file for trademark protection in many countries at once. Consider the following scenario: a rogue entity, seeing a product on the market in one country and recognizing that it might have commercial success in another country, registers the same or a very similar mark in the second country (most countries do not require that a registered mark ever be used). When the product owner wants to enter the market in the second country, the pirate then attempts to sell the plagiarized mark to him. Taking a trademark plagiarist to court costs time and money, and the pirate relies on the probability that the trademark owner will want to settle out of court rather than engage in formal proceedings. This scenario occurred in conjunction with one of the strawberry varieties owned by the University of California: in a foreign country, a pirate registered the name of one of the university's strawberry varieties and then challenged its right to sell plant material in that country under the registered name. The ability to protect trademarks in several countries at once under the Madrid system gives product owners a useful tool for thwarting such schemes.

7. LICENSING ISSUES

A license that addresses both PVR and trademark rights, as well as when and how these rights will expire, is called a *hybrid* license. Trademarks are perpetual if the trademarked product is continuously marketed, but PVRs have a limited term. A licensee will naturally want to maintain his rights to use the trademark even after the PVR has expired and others are selling the same product. The license agreement can therefore be structured so that any given right and its associated obligations are distinct from, and can expire (or be terminated) without compromising any other rights or obligations. Box 1 provides some sample language for a licensing agreement. In addition to granting rights and specifying product marking requirements, it is important that a hybrid licensing agreement define the amount and kind

of compensation to be paid for use of each right. For example, an agreement could specify a royalty for use of the PVR and a royalty for use of the trademark. In this case, after the PVR expired, the licensee would pay only the trademark royalty. Not all products may meet the quality standards required under the terms of the trademark license, so an agreement might permit the licensee to sell low-grade produce through other channels (for example, nonexport-grade products might be sold to the processing industry or local markets) without using the trademark. For these *off-grade* sales, the licensor would only collect a royalty for use of the PVR.

The licensing agreement must also cover forseeable contingencies. The quality of goods or services sold under trademark must be strictly controlled. A license agreement must require, therefore, that the licensee use the trademark only in conjunction with the licensed plant variety, and only on products that meet a prescribed quality standard (such as size/count or grade, whichever is applicable). Once a licensee has created brand equity in its own mark, it may very well terminate the license agreement and sell the licensed variety or a very similar variety under that mark; such an act would obviously be illegal, but Madrid system or not, it can be time-consuming, costly, and logistically difficult for a licensor to enforce its rights in many foreign countries. In order to avoid this kind of situation in the first place, the license can forbid the licensee to use any other trademark that could be confused with the licensed mark. Alternatively, a clause can be included in the license that requires any mark that was created and used by the licensee in association with the licensed product to revert to the licensor, should the licensee terminate the agreement.

8. LAUNCHING NEW FRUIT PRODUCTS FROM DEVELOPING COUNTRIES

Many future novel fruit products will likely come from the tropics, a region that includes many developing countries. The owners of such varieties may want to adopt a strategy that stimulates global demand for the product, while maximizing commercial returns for themselves. A global trademarking program that relies on consumer demand may be more feasible than a PVR strategy that relies on licensing for return on investment.

The developer of new branded fruit products must remember the four critical aspects of any trademarking strategy:

1. **Determine what is to be trademarked.** The owner must clearly define the registered product, as well as the standards and brand values it wishes to develop. Developing countries with variable agricultural practices may find it challenging to achieve product consistency.
2. **Register the trademark where it will be used.** The owner must have a well-developed commercialization plan with separate strategies for each country in which the fruit might be sold. The owner may need to register the trademark at the local patent and trademark office in every country or territory in which the product will be marketed.
3. **Promptly register the trademark.** Trademarks should be filed in the early stages of product conceptualization, before competitors can do so.
4. **Enforce the trademark.** The owner will need to invest money to ensure that the trademark is used appropriately, and only by those with rights to do use it. Fruit producers in developing countries may try to use a successful trademark (or a close copy) on their own products. Care must be taken to ensure that a trademark is not used so indiscriminately that it becomes a generic descriptor.

9. CONCLUSION

If chosen well and used effectively, a trademark can add substantial value to a plant variety. However, the time, effort, and up-front costs are significant, so a variety owner must be willing to make the needed investments. Moreover, an effective global trademark strategy especially requires the IP owner and its licensees to work together for mutual benefit. ■

Box 1: Example Trademark Clauses in a Master License Agreement, Where the Master Licensee Is Expected to Sublicense to Nurseries, Growers, Packers, and Distributors:

Grant Clauses:

1.1 Subject to the limitations set forth in this Agreement and the reservation of rights set forth in Paragraph XX, Licensor hereby grants to Licensee under Trademark Rights:

1.1.1 the right to use the Trademark in association with the testing and marketing of Trademark Products;

1.1.2 the exclusive right to sublicense Propagators to use the Trademark in association with the Sale of Trademark Propagator Products;

1.1.3 the exclusive right to sublicense Growers to use the Trademark in association with the Sale of Fruit;

1.1.4 the exclusive right to sublicense Packers to use the Trademark in association with the Sale of Fruit; and

1.1.5 the exclusive right to sublicense Distributors to use the Trademark in association with the Sale of Fruit.

1.2 Licensee will use the Trademarks on all promotional materials produced that refer to Licensed Products. Licensee will use the Trademarks in a featured and prominent manner. Sublicenses will require Sublicensees (a) to use the Trademark in association with, and only with (i) Trademark Products Sold or offered for Sale, and (ii) any marketing or advertising describing Trademark Products; and (b) to use the Trademarks in a featured and prominent manner. With respect to Sublicensees' Sale of Fruit, such Sublicenses will require Sublicensees to use the Trademarks with, and ONLY with, the highest grade of Fruit Sold or offered for Sale.

1.3 Neither Licensee, a Sublicensee, nor any entity which is an Affiliate, Joint Venture, or Related Party of a Licensee or a Sublicensee, will use any other trademark or name in association with Trademark Products that is confusingly similar to or, in Licensor's judgment, suggestive of, the Trademarks. Licensee and all Sublicensees will not use the Trademarks except as permitted by this Agreement.

If Licensee learns, either directly or upon notice from a Sublicensee, of any unauthorized use of the Trademarks or any colorable imitation thereof or any name or mark confusingly similar thereto, Licensee will immediately inform Licensor in writing of such unauthorized use in accordance with the provisions of Paragraph XYZ. Moreover, Sublicensor will require Sublicensees to notify Licensee (often through Sublicensor) of any unauthorized use of the Trademarks or any colorable imitation thereof or any name or mark confusingly similar thereto.

Product-marking clause:

Licensee will require all its Packers and Distributors to attach to Fruit (where commercially practicable and consistent with normal industry practice) and its cartons, boxes, pallets, or containers, sold under the terms of this Agreement, a durable and legible label or tag specifying the correct name of the Licensed Cultivar and the corresponding Trademark, if applicable.

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1 The term *brand*, as opposed to a statutorily protected trademark, encompasses a name, sign, or symbol used to identify items or services of a seller aimed at differentiating them from goods of competitors. Put differently, a brand is simply a promise, allowing customers to identify a product or service. It thus includes nonprotected assets (or liabilities) linked to a brand's name or symbol, which adds to (or subtracts from) the value provided by a product or service. It is the collection of perceptions in the mind of consumers.

2 Interbrand. 2006. *Best Global Brands: A Ranking by Brand Value*. Interbrand and Business Week. www.ourfishbowl.com/images/surveys/BGB06Report_072706.pdf.

3 Bucknell D. 2006. United States: Global Brand Strategy and the Top 100 for 2006 (the "B.R.A.N.D.I.N.G." approach). Published only on the Web. www.mondaq.com/article.asp?articleid=41882&searchresults=1.

4 www.sun-maid.com/brandlicensing.html.

5 www.sunworld.com.

6 www.wipo.int/madrid/en.

7 Information about the Madrid system is available on the Internet from patent and trademark offices in member countries (for example, www.uspto.gov; www.ipaustralia.gov.au) and from attorney firms who have trademark-law practices.

8 To learn more about the Madrid Protocol and its important differences from the Madrid system, see the U.S. Patent and Trademark Web site. www.uspto.gov/web/trademarks/madrid/madridindex.htm.